

## Message Text

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PAGE 01 HONG K 03626 070647Z

12

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4470

INFO USLO PEKING

AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ECON CH

SUBJ: CHANG CHUN-CHIAO AND THE OWNERSHIP SYSTEM

REF: HONG KONG 3508

SUMMARY: CHANG CHUN-CHIAO IN APRIL'S "RED FLAG" HAS RELEASED FOR THE FIRST TIME SINCE THE 1950'S NATIONAL PERCENTAGE BREAKDOWNS BETWEEN STATE AND COLLECTIVE-OWNED OPERATIONS IN INDUSTRY, AGRICULTURE, AND COMMERCE. THE PERCENTAGE REVEAL A NOT UNEXPECTED SHIFT SINCE THE 1950'S TOWARD A MUCH GREATER ROLE FOR STATE-CONTROLLED ENTERPRISES IN INDUSTRY AND COMMERCE WHILE AGRICULTURE REMAINS PREDOMINANTLY THE PROVINCE OF THE COLLECTIVE WITH ONLY A SMALL STATE PORTION. USING A COMMUNE NEAR SHANGHAI AS AN EXAMPLE, CHANG POINTS OUT A TREND TOWARD A HIGHER DEGREE OF COLLECTIVIZATION IN RURAL ORGANIZATIONS, BUT CLEARLY PLACES IT IN THE PERSEPCTIVE OF A LONG-TERM DEVELOPMENT. END SUMMARY

1. CHANG CHUN-CHIAO'S "RED FLAG" ARTICLE (REFTEL) REVEALS FOR THE FIRST TIME SINCE THE LATE 1950'S NATIONAL  
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PAGE 02 HONG K 03626 070647Z

PERCENTAGE BREAKDOWNS BETWEEN STATE AND COLLECTIVE-OWNED

OPERATIONS IN INDUSTRY, AGRICULTURE AND COMMERCE. IN INDUSTRY, BASED ON TERMS OF REFERENCE OF FIXED EQUITY (97 TO 3 PERCENT), INDUSTRIAL WORK FORCE (63 TO 36.2 PERCENT), AND INDUSTRIAL OUTPUT VALUE (86 TO 14 PERCENT), THE STATE-RUN SECTOR PREDOMINATES OVERWHELMINGLY. IN 1955 THE STATE'S SHARE OF FIXED EQUITY WAS ABOUT 85 PERCENT WHILE ITS PORTION OF INDUSTRIAL OUTPUT VALUE IN 1956 WAS ABOUT 55 PERCENT. WE HAVE BEEN UNABLE TO FIND AN EARLIER COMPARISON FOR THE WORK FORCE, BUT ASSUME IT HAS CHANGED SIMILARLY.

2. IN COMMERCE, THE STATE ALSO PREDOMINATES WITH 92.5 PERCENT OF RETAIL SALES AS OPPOSED TO 7.3 PERCENT BY COLLECTIVE OWNERSHIP AND 0.2 PERCENT IN THE HANDS OF PEDDLERS. (WE WOULD SUSPECT THESE PERCENTAGES TO BE REFLECTIVE MORE OF URBAN TRADE THAN OF RURAL COMMERCE, AND CHANG ALLUDES TO THIS IN REFERRING TO AN ADDITIONAL "CONSIDERABLE AMOUNT OF TRADE BY BAZAARS IN THE COUNTRYSIDE".) COMMERCE PERCENTAGES IN 1955 SHOW THE STATE SECTOR HANDLING 55 PERCENT OF THE "TRADE VOLUME", THE COOPERATIVE SECTOR, 25 PERCENT, AND THE PRIVATE SECTOR, 28 PERCENT.

3. AGRICULTURE IS THE REVERSE. THERE THE COLLECTIVE ECONOMY PRODUCES MORE THAN 90 PERCENT OF THE PRC'S GRAIN AND INDUSTRIAL CROPS, OWNS NEARLY 90 PERCENT OF THE FARM-LAND, DRAINAGE, IRRIGATION AND MECHANICAL EQUIPMENT AND NEARLY 80 PERCENT OF THE TRACTORS AND DRAFT ANIMALS. CHANG CHARACTERIZES THE PROPORTION OF STATE FARMS IN THE COLLECTIVE ECONOMY AS "VERY SMALL" AND POINTS OUT THAT PRIVATE PLOTS AND HOUSEHOLD SIDELINE PRODUCTION ALSO HAVE TO BE CONSIDERED.

4. CHANG, WHILE ACKNOWLEDGING THE "WEAK" POSITION OF "OWNERSHIP BY THE WHOLE PEOPLE" (READ: STATE) IN AGRICULTURE, USES THE EXAMPLE OF A COMMUNE ON THE OUTSKIRTS OF SHANGHAI TO ILLUSTRATE APPROVINGLY A TREND TOWARD A HIGHER DEGREE OF PUBLIC OWNERSHIP IN RURAL AREAS. WITHIN THE COMMUNE'S THREE-TIER OWNERSHIP SYSTEM, INCOME GENERATED AT THE COMMUNE AND BRIDGE LEVEL SHOWED SMALL PERCENTAGE INCREASE IN 1974 OVER 1973. THIS, HE CONTRASTS WITH THE LIMITED OFFICIAL USE

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PAGE 03 HONG K 03626 070647Z

PRODUCTION TEAM LEVEL, WHICH STILL ACCOUNTED FOR OVER HALF OF THE COMMUNE'S INCOME, EVEN THOUGH IT EXPERIENCED A RELATIVE PERCENTAGE DECLINE.

5. THE ESSENCE OF CHANG'S REMARKS, HOWEVER, IS THAT THE TREND WILL REQUIRE A LONG TIME TO DEVELOP TO COMPLETION. HE POINTS OUT THAT THE PRESENT STATE -COLLECTIVE ARRANGEMENT " WILL NOT CHANGE FUNDAMENTALLY" IN THE SHORT RUN, AND

THAT EVEN AFTER THE TRANSITION TO THE COMMUNE AS A BASIC ACCOUNTING UNIT, " IT WILL STILL BE COLLECTIVE OWNERSHIP" (I.E., NOT "OWNERSHIP BY THE WHOLE PEOPLE" AND "COMMUNIST"). CHANG FURTHER UNDERLINES THIS LONG-TERM PERSPECTIVE BY TYING IN ACHIEVEMENT OF "COMMUNISM" WITH MATERIAL WEALTH, WHEN COMMODITIES ARE ABUNDANT ENOUGH FOR THE STATE TO SUPPLY THE POPULATION ACCORDING TO ITS NEEDS AND COMMUNES HAVE ENOUGH TO "COMMUNALIZE" WITH PRODUCTION BRIGADES AND TEAMS.

6. CHANG HAS ADDED HIGH-LEVEL SANCTION TO THE CONCEPT OF A HIGHER DEGREE OF COLLECTIVIZATION IN THE COUNTRYSIDE THAT BEGAN TO EMERGE IN PUBLIC STATEMENTS AT THE PROVINCIAL LEVEL LAST FALL (SEE HK-13978 DTG 310321Z DEC. 1974 AND A-330). PRESENT PRC/INDUSTRIAL DEVELOPMENT POLICY (HK 3284 AND HK 3204), WITH ITS EMPHASIS ON SELF-RELIANT EXPANSION OF LOCALLY-RUN INDUSTRY IN SUPPORT OF AGRICULTURE, SHOULD STRENGTHEN THE TREND TOWARD PUBLIC OWNERSHIP AT THE COMMUNE AND BRIGADE LEVEL, THAT CHANG PORTRAYS.

7. SITUATED ON THE OUTSKIRTS OF SHANGHAI, CHANG'S EXEMPLARY COMMUNE IS, AS HE INFERS, NOT TYPICAL IN THAT IT WOULD NORMALLY HAVE MORE INDUSTRIAL AND SUBSIDIARY ENTERPRISES THAN ITS RURAL COUSINS AND THEREFORE BE MORE DEVELOPED AT THE BRIGADE AND COMMUNE LEVEL. IN THIS SENSE, THE FACT THAT EVEN THERE PRODUCTION TEAMS ACCOUNT FOR OVER 50 PERCENT OF THE COMMUNE'S FIXED ASSETS AND INCOME, SERVES AS AN INDICATOR OF HOW FAR MOST COMMUNES IN THE PRC STILL HAVE TO GO TO REACH A "HIGHER DEGREE OF PUBLIC OWNERSHIP".  
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